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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDBU RUEHDF RUEHIK RUEHLH RUEHLN  
RUEHLZ RUEHPW RUEHROV RUEHVK RUEHYG  
DE RUEHAH #1137 2921317  
ZNR UUUUU ZZH  
P 191317Z OCT 07  
FM AMEMBASSY ASHGABAT  
TO RUEHC/SECSTATE WASHDC PRIORITY 9576  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUCNCIS/CIS COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 2899  
RUEHBJ/AMEMBASSY BEIJING 0720  
RUEHKO/AMEMBASSY TOKYO 0596  
RUEHIT/AMCONSUL ISTANBUL 1172  
RHMFIUU/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEFDIA/DIA WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC

UNCLAS ASHGABAT 001137

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR SCA/CEN, EEB  
STATE PLEASE PASS TO USTDA DAN STEIN  
COMMERCE FOR HUEPER

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EINV](#) [TX](#)

SUBJECT: TURKMENISTAN PASSES LAWS ON NATIONAL TOURISM ZONE

REF: A. ASHGABAT 0968

[1](#)B. ASHGABAT 0970

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: Turkmenistan has established a new National Tourism Zone (NTZ) instead of the Free Economic Zone that President Berdimuhamedov had previewed in May. The purpose of the NTZ is to promote development of tourism, particularly in the Caspian Sea area. Tax and other incentives designed to lure foreign investment were included in the legislation that was passed on October 1, but will be offered only to those willing to invest specifically in the construction of hotels and recreational facilities. Given the fact that foreign investors must transfer title of their facilities to Turkmenistan, once they have made a maximum pre-determined profit, or the lease is up, whichever comes first, there is probably little that will draw investment interest. END SUMMARY.

LAND FOR HOTELS

[1](#)3. (U) The Free Economic Zone that was to be established on the Caspian Sea coast is now a National Tourism Zone. President Berdimuhamedov signed on October 1 amendments to the Land Code, which include a provision for 40-year land leases in the NTZ for construction and "other non-agricultural purposes," in an effort to promote resort facility development. The lease term for temporary retail and service points, warehouses, and car parking lots in the NTZ, however, will be a maximum of only five years.

TOURISM TO BE SUPERVISED FROM ABOVE

[1](#)4. (U) The amended tourism law assigns new authority to the Cabinet of Ministers, State committee for Tourism and Sports, and local governments. The Cabinet of Ministers will not be

responsible for determining what areas have tourism potential and what their boundaries will be. The State Committee for Tourism and Sports will be the principle government agency responsible for implementing the law on Tourism, assessing tourism investment projects, and signing contracts with foreign investors. The State Committee will develop short-term and long-term tourism development plans.

#### SPECIAL CUSTOMS AND TAX STATUS

15. (U) The amendments to the Tax Code passed on October 1 exempt construction and installation of tourist facilities in the NTZ from the Value Added Tax (VAT). Tourism-related services, including catering and accommodation, are also VAT exempt. This does not apply to gambling businesses. Construction equipment used in the NTZ will not be subject to the 1% property tax. In addition, the government will not levy income taxes related to tourist accommodations and catering for the first 15 years. No information has surfaced yet regarding any customs-related incentives.

16. (U) COMMENT: There is little in these amendments that will have foreign investors excited about the Avaza tourist resort on the Caspian (reftels). Amendments to the legislation apply only to businesses serving tourism in Avaza, not to all investor activities there. Investors may be reluctant, as well, to spend money on tourist property construction on leased land. Further, the amendments require foreign investors to transfer title of their facilities to Turkmenistan, once they have made a maximum pre-determined profit, or the lease is up, whichever comes first. All in all, there are no silver linings to the new rules that would draw investment interest. END COMMENT.  
HOAGLAND